

Message Text

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PAGE 01 NOUAKC 02510 281318Z
ACTION AF-10

INFO OCT-01 ISO-00 EB-08 COME-00 AGRE-00 CIAE-00
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FM AMEMBASSY NOUAKCHOTT
TO SECSTATE WASHDC PRIORITY 301

C O N F I D E N T I A L NOUAKCHOTT 2510

FOR AF/W

E.O. 11652: GDS
TAGS: ECON, EINV, EPAP, MR
SUBJ: SOME HOPE FOR SUGAR REFINERY

1. EMBASSY HAS OBTAINED IN HOUSE GIRM STUDY ENTITLED
"PANORAMA OF ECONOMIC SITUATION", WHICH CONTAINS RECOMMENDA-
TIONS THAT COULD AFFECT NEGOTIATIONS BETWEEN J.F. PRITCHARD
AND ISC ON THE ONE HAND AND GIRM ON THE OTHER. SEPTTEL
CONTAINS MORE GENERAL COVERAGE OF REPORT.

2. THIRTY-PAGE STUDY PRODUCED BY MINISTRY OF PLANS FOR
GOVERNING MILITARY COMMITTEE DEVOTES TWO PAGES TO CHRONOLOGY
OF ILL-STARRED SUGAR REFINERY AND THEN EXAMINES THREE POSSIBLE
COURSES OF ACTION:

--SUSPEND ALL ACTIVITY AND SUBMIT TO INTERNATIONAL ARBITRATION;
--DUMP THE PROJECT AND RELEASE LANG (THE ORIGINAL CONTRACTOR)
FROM ANY LEGAL RESPONSIBILITY;
--ACCEPT LANG'S PROPOSAL TO PROVIDE AN INDEPENDENT
EXPERT'S OPINION ON HOW TO MAKE THE FACILITY WORKABLE AND
PUT THE PLANT INTO OPERATION AT GIRM EXPENSE; WITH GIRM
RESERVING THE RIGHT TO SUBMIT TO INTERNATIONAL ARBITRATION.

3. THE STUDY RECOMMENDS THE THIRD COURSE OF ACTION AS BEING
THE MOST ACCEPTABLE BECAUSE IT PRESERVES THE GIRM'S LEGAL
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RIGHTS WHILE AT THE SAME TIME AVOIDS FURTHER DETERIORATION
OF EQUIPMENT.

4. FOUR OPTIONS FOR USING FACILITIES ARE THEN EXAMINED:
--PUT THE EXISTING CONING AND CUBING EQUIPMENT INTO
PRODUCTION AT THE TARGET 160 MT PER DAY LEVEL. THIS IS
ESTIMATED TO COST AN ADDITIONAL \$10 MILLION DOLLARS;

--REDUCE CONING PRODUCTION TO ONE LINE AND REPLACE
OTHER TWO CONING LINES WITH CUBING LINES, USING ELIMINATED
CONING EQUIPMENT FOR SPARE PARTS. THIS IS ESTIMATED TO COST
3.6 MILLION DOLLARS.
-- GIVE UP THE IDEA OF PRODUCING CONE SUGAR AND RETOOL
FOR CUBING LINES EXCLUSIVELY. THIS IS ESTIMATED AT 2 MILLION
DOLS.
--GIVE UP THE IDEA OF A REFINERY; FIND A BUYER FOR THE
EQUIPMENT AND RAW STOCK AND RENT THE BUILDINGS AS WAREHOUSES/
FACTORIES.

5. STUDY GOES ON TO SUGGEST THAT IT WILL TAKE BETTER PART
OF A YEAR TO SELECT BEST OPTION AND THAT MEANWHILE SOSUMA,
THE GIRM-OWNED OPERATING SOCIETY SHOULD BE DISBANDED. IT
ALSO STATES THAT QUOTE IN VIEW OF LANG'S LACK OF SERIOUS-
NESS, ANY ENVISAGED SOLUTION MUST EXCLUDE ANY FUTURE
OPERATION BY THAT COMPANY END QUOTE.

6. ACTION REQUESTED: THAT DEPARTMENT (AF/W) INFORM
ED OLIPHANT (PRESIDENT OF J. F. PRITCHARD CO. TEL- 816-531-9500)
OF FOREGOING WITHOUT REVEALING SOURCE OF INFORMATION.
(FYI INFORMATION RE DEMISE OF SOSUMA SHOULD BUOY UP HIS SPIRITS
SOMEWHAT. HE LEFT HERE AUGUST 24 IN PESSIMISTIC FRAME OF MIND
AFTER TWO SEPARATE THREE-DAY PERIODS OF TALKS. END FYI

7. THE SUGAR REFINERY RECOMMENDATIONS IN THE
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STUDY WERE MADE IN THE CONTEXT OF MORE GENERAL RECOMMENDATIONS
UPGRADING THE AUTHORITY OF THE MINISTRIES OF (A) FINANCE AND (B)
PLANNING AND MINES, AND ADVOCATING A GREATER SHIFT TO PRIVATE
ENTERPRISE AND FOREIGN INVESTMENT. THIS NEW ECONOMIC DIRECTION WOULD
SEEM TO AUGUR WELL FOR PRITCHARD'S PROPOSED SOLUTION FOR OPERATING
REFINERY.

8. PLEASE REPORT OLIPHANT'S REACTION. KRYZA

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